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**SUMMARY**

Agenda Item: D. 2

Ghana

# IMPACT OF LEGISLATION, TAXATION, SUBSIDIES AND TARIFFS ON THE VOLTA RIVER PROJECT NEGOTIATIONS

By E. A. K. AKUOKO

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SERIAL NO.104 SUB-ITEM D.2 - [illegible]

# IMPACT OF LEGISLATION, TAXATION, SUBSIDIES AND TARIFFS ON THE VOLTA RIVER PROJECT NEGOTIATIONS.

BY E.A.K. AKUOKO

The Volta River Project consists of two separate but complementary schemes; a scheme for building a dam to produce hydroelectric power, and an aluminium smelter, which are being developed respectively by the Government of Ghana through an independent public corporation, the Volta River Authority, and a company formed in Ghana by foreign private aluminium interests. Both are being assisted with loans by the Government of the United States and the United Kingdom and by the World Bank. About one-third of the output of power from the dam will be supplied to the smelter at an attractive rate.

The company has entered into a thirty-year Master Agreement with the Government under which each party obliges itself to build its part of the project. A special tax regime has been set up under which certain specified taxes only will be payable by the company. The rate at which income tax will be paid has been fixed for the entire period.

The company is also brought within the reliefs generally available for pioneer industries in their initial years of operation, which, however have been extended in several directions for its benefit. Other concessions which have been accorded the company include importation without restrictions of certain essential materials for the construction and operation of the smelter as well as any mines it may open up, permission to acquire bauxite concessions beyond the present statutory limits, and leases and services at favourable rentals. The loans for both parts of the

project have been exempted from Ghana income tax, and the loans to the Authority were exempted from stamp duty as well.

Exchange control authorisation for certain important transactions in connection with the financing and operation of the smelter including the accumulation and payment of foreign currency for vital expenses have been granted or assured to the company.

Each side has agreed to do everything necessary for securing and further assuring the right accorded to the other which on the Government's side has called for a large number of enactments and administrative orders to accomplish the concessions granted to the company. In addition, the Master Agreement and the loan and other agreements relating to the project have been legalised above the existing law of Ghana by a special Act of Parliament that automatically cures any defects in them.

The Agreement also contains important assurances against nationalization of the company or any of its assets including the interests of shareholders and creditors. There is a firm undertaking by the Government not to annul or modify the Agreement whether by legislation or administrative act, and any such amendment or modification is deemed to be nationalization which entails serious consequences. Even in the event of Ghana joining any larger political or economic unit, it undertakes to preserve the agreement and its schedules unimpaired.



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